LOTTERIES YUKON

YUKON LOTTERY COMMISSION

ANNUAL REPORT • 2009–2010

MAX LOTTO 649 X SUPER 7 3

Cover Photo: Extremely Moving Youth Society
Recipients of Travel Assistance Program funding

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LOTTERIES YUKON

The Honorable Jim Kenyon
Minister Responsible for Yukon Lottery Commission
Government of Yukon

March, 2011

Dear Honorable Minister Kenyon,

I have the honour to present you with the Annual Report of the Yukon Lottery Commission for the fiscal year ended March 31, 2010.

Respectfully submitted,

Christine Doke
Chairperson
Yukon Lottery Commission

Message from the Yukon Lottery Commission

I am pleased to share with you the 2009/10 Annual Report of the Yukon Lottery Commission.

The Yukon Lottery Commission is created and mandated under the *Public Lotteries Act* and *Regulations*. The Yukon Government appoints members, drawn from a variety of backgrounds, for two year terms. Together with Western Canada Lottery Corporation the Commission provides oversight for the management of public lotteries. Another key responsibility of the Commission is the allocation of profits from the sale of lottery tickets.

Lottery profits are allocated by the Commission for sport, art and recreation projects and activities, and for the operations of Lotteries Yukon. In addition to these programs, Yukon Government receives 48% of lottery revenues for distribution by the Sport and Recreation Branch and Cultural Services Branch. Whether directly through Commission programs or through our partners, we are very proud of the support the Yukon Lottery Commission is able to provide to sport, art and recreation across the territory and in Yukon communities.

In carrying out its role, the Commission is committed to ensuring Yukon people are provided with a high standard of service and integrity in all aspects of the public lotteries. We strive to ensure public lotteries are appropriately conducted and that all Yukon communities benefit from the investment of lottery revenues in sport, art and recreation.

I would like to thank the members of the Commission and the Lotteries Yukon staff for their contributions and dedication in carrying out the work of the Yukon Lottery Commission/Lotteries Yukon.

Christine Doke

Christine Doke, Chair

Operational Report

The administrative functions for the Yukon Lottery Commission are carried out by Lotteries Yukon staff. Lotteries Yukon provides support and services to lottery retailers and customers, non-profit organizations seeking program funding and to the Yukon Lottery Commission. The lottery and retail portion of this work is supported through an agreement with Western Canada Lottery Corporation.

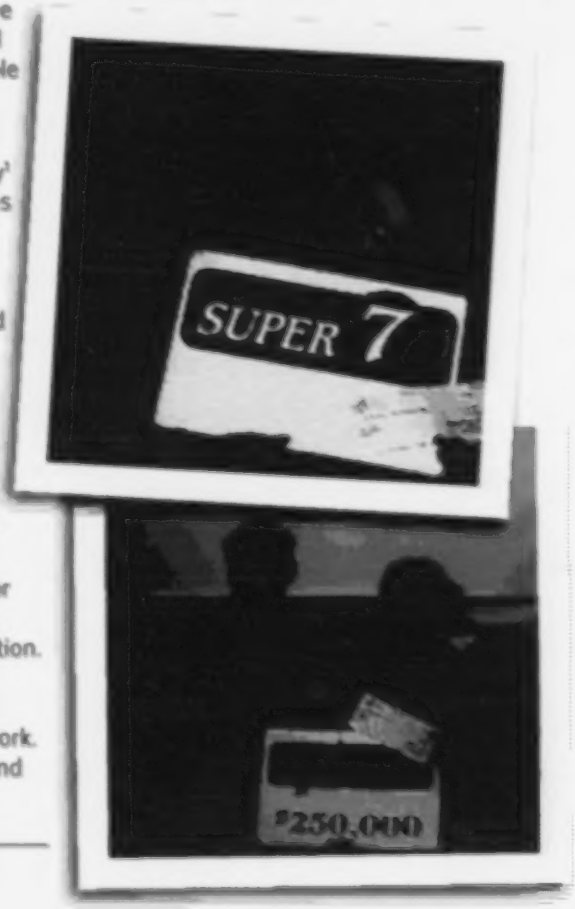
In the 2009/10 fiscal year Yukon's retail network maintained stable with 17 licensed retailers in the Whitehorse area and 18 in rural communities. Instant Scratch 'N' Win games continue to be the number one choice of Yukon lottery players. The most popular on-line game was Lotto 649 along with on-line Keno and Lotto Max.

In 2009 Lotteries Yukon began regional work to dismantle the Super 7 lotto game and implement the new Lotto MAX game. In September 2009 the first national lottery draw game in more than 15 years was launched. In November 2009 the Lotto MAX jackpot reached a Canadian record setting jackpot of $50 million. This record setting jackpot created excitement for players and the opportunity to win MAXMILLIONS. Players were given an opportunity to win $1 million dollar prizes above and beyond the jackpot. LottoMAX excitement continued throughout the 2009/10 fiscal year with another $50 million jackpot in February 2010. Early indicators have shown the new game to be a top performer. While the full impact of Lotto Max won't be realized until data is available for 2010/11, the games early performance is impressive.

The overall revenue picture for the Yukon Lottery Commission shows gross sales for 2009/10 down slightly[1] from the previous fiscal year. The most significant changes were as a result of reduced revenues from the sale of Keno. One factor impacting Keno sales was the removal of Keno video monitors from Lottery Ticket Centres in 2009. The Millionaire for Life game was also discontinued in 2009/10. Some Sport Select games garnered lower revenues while others have shown steady growth.

One of Lotteries Yukon's greening efforts is to produce fewer printed copies of this Annual Report. The Annual Report is available on-line at: **www.lotteriesyukon.com** or an electronic copy can be provided by contacting us at **lotteriesyukon@gov.yk.ca**.

Looking forward, the next fiscal year will be a busy year for Lotteries Yukon. After many years in our current location, plans are underway to move our operations to a new location. We are excited about the move that will provide us with space for retailer training, a boardroom for Commission meetings and sufficient room for staff to carry out their work. We look forward to serving our retailers, lottery players and community program recipients from our new location.



[1] Gross sales were $7,795,515 for 2008/09 and $7,368,976 for 2009/10.

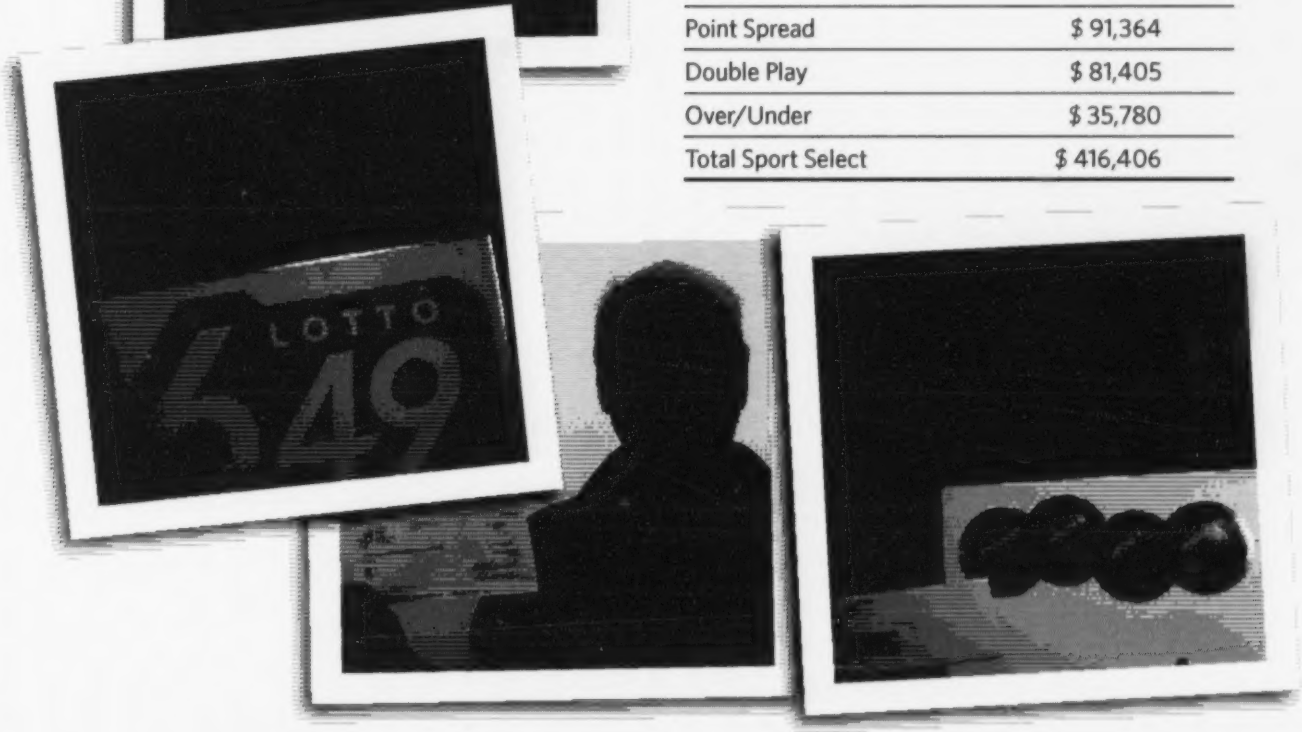
Sales Breakdown

WCLC Sales	$7,368,976
Breakopen Sales	$ 801,900
Total Sales	**$8,170,876**

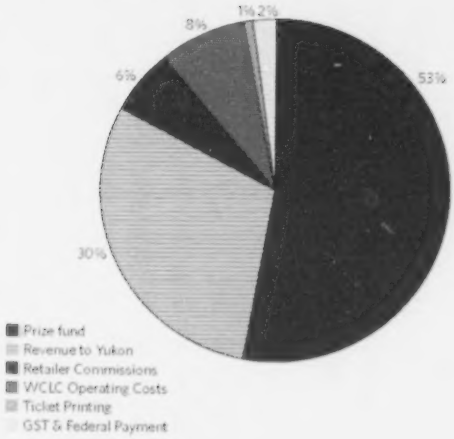
Scratch 'n Win	**$2,322.13**

Lotto 649	$1,571,124
Keno	$ 900,838
Lotto Max	$ 813,710
Extra	$ 616,597
Super 7	$ 366,696
Western 649	$ 280,823
Pick 3	$ 43,273
Pay Day	$ 37,382
Total On-Line	**$4,630,443**

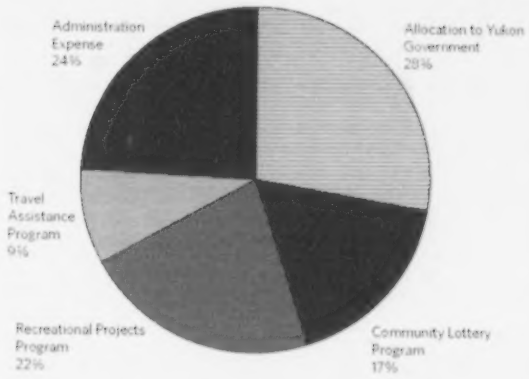
Proline	$ 207,857
Point Spread	$ 91,364
Double Play	$ 81,405
Over/Under	$ 35,780
Total Sport Select	$ 416,406



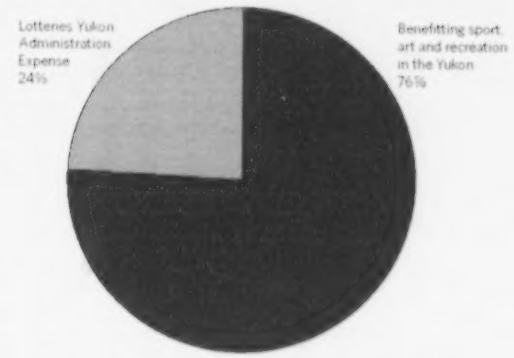
Your Lottery Dollar

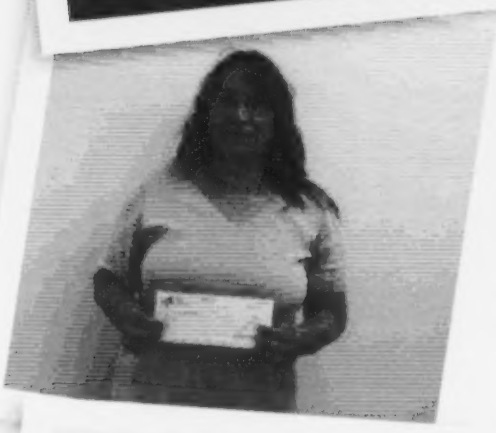


Where Yukon Revenue Goes

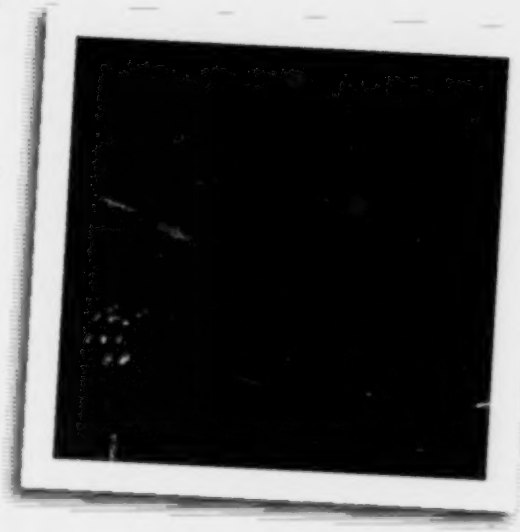

Administration Expense 24%
Allocation to Yukon Government 28%
Travel Assistance Program 9%
Recreational Projects Program 22%
Community Lottery Program 17%

Lotteries Monies Distribution in Yukon





Yukon Lottery Commission Community Programs



The Commission's legislated mandate provides for community based programming focused solely on sport, art and recreation. Lotteries Yukon delivers three different community programs that are intended to:

- ★ increase participation of all Yukon people in sport, art and recreation;
- ★ improve/provide more community recreation and art infrastructure;
- ★ increase organizational and community capacity in the arts, sport and recreation;
- ★ develop sport, recreation and the arts; and,
- ★ improve the quality of life for all Yukon people by supporting sport, art and recreation.

The following provides a brief description of the three community programs and the investments made in each program for the 2009/10 fiscal year. More detailed information identifying the amount of funding, program, community and recipient organization is provided on pages 9–11 of this report.

Community Lottery Program

The Community Lottery Program provides municipalities and local authorities with funding to support recreation and arts in their communities. Each community receives a base amount of $8,000 plus $12.00 per capita for populations up to 5,000 and $3.25 per capita for populations over 5,000. The intent of the program is to enable local decision making to meet community needs and create equitable access to lottery revenues for all Yukon people. In 2009/10 the Community Lottery Program provided $391,848 to local authorities and municipalities.

Recreational Projects Program

The Recreational Projects Program is application driven and provides non profit groups with funding to support sport, art and recreation projects or special events and activities. Applications are accepted twice a year; April 15 and October 15. In 2009/10 $762,645 was allocated to projects, special events or activities under the Recreational Projects Program.

Travel Assistance Program

The Travel Assistance Program provides assistance to non-profit groups and extra-curricular high school groups attending competitions or adjudicated events. The Travel Assistance Program is very popular with 72 applications approved providing over 1,100 individuals with $190,000 in funding assistance in 2009/10. This program supports the development of amateur recreation (sport and arts) for Yukon people of all ages.

Yukon Lottery Commission Community Programs
2009/2010 Approved Funding

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Beaver Creek	Beaver Creek Community Club	CLP	**9,272.00**
Burwash Landing	Burwash Landing Recreation Committee	CLP	**9,188.00**
Carcross	Carcross Recreation Committee	CLP	**13,160.00**
Carmacks	Village of Carmacks	CLP	13,772.00
	Tantalus School	TAP	2,875.60
			$16,647.60
Dawson City	City of Dawson	CLP	30,476.00
	Town of Dawson City	RPP	60,000.00
	Dawson City Music Festival	RPP	13,859.07
	Dawson City Oldtimers Hockey	TAP	5,593.68
	North Klondike Highway Music Society	RPP	3,000.00
	Robert Service School	TAP	645.50
			$113,574.25
Destruction Bay	Kluane Lake Athletic Association	CLP	**8,516.00**
Faro	Town of Faro	CLP	12,824.00
	Faro Arts & Recreation Association	RPP	1,500.00
	Faro Golf Club	RPP	30,000.00
			$44,324.00
Haines Junction	Village of Haines Junction	CLP	18,296.00
	St. Elias School	TAP	2,174.64
			$20,470.64
Keno	Keno Community Club	CLP	**8,276.00**
Lorne Mountain	Lorne Mountain Community Association	CLP	12,440.00
	Lorne Mountain Community Association	RPP	5,126.00
			$17,566.00
Marsh Lake	Marsh Lake Community Society	CLP	**13,220.00**
Mayo	Village of Mayo	CLP	**13,796.00**
Mendenhall	Mendenhall Community Association	RPP	**$11,558.00**

Continues on following page.
NOTE: TAP = Travel Assistance Program and RPP = Recreational Projects Program

Yukon Lottery Commission Community Programs
2009/2010 Approved Funding

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Old Crow	Vuntut Gwitchin First Nation	CLP	**10,880.00**
Pelly Crossing	Selkirk First Nation	CLP	**11,876.00**
Ross River	Ross River Recreation Society	CLP	**12,404.00**
Tagish	Tagish Community Association	CLP	**10,784.00**
Teslin	Village of Teslin	CLP	13,748.00
	Teslin Recreation Association	RPP	25,200.00
			$38,948.00
Upper Liard	Liard First Nation	CLP	**10,160.00**
Watson Lake	Town of Watson Lake	CLP	24,632.00
	Gentle Steps	RPP	7,997.00
	Watson Lake Community Club	RPP	2,717.80
	Watson Lake Rodeo Association	RPP	34,270.00
	Watson Lake Ski Club	RPP	11,452.00
			$81,068.80
Whitehorse	City of Whitehorse	CLP	134,127.75
	All City Concert Band Society	TAP	10,440.00
	Boreal Adventure Running Association	RPP	1,350.00
	Canadian Ski Patrol — Yukon Zone	RPP	2,400.00
	Canadian Ski Patrol — Yukon Zone	TAP	400.00
	F.H.Collins Secondary School	TAP	2,840.64
	Fiddle Kids	RPP	6,900.00
	Flying Eagle TaeKwon-Do Club	RPP	800.00
	Golden Age Society	RPP	4,692.00
	Miles Canyon Historic Railway Society	RPP	11,120.00
	Mountain View Golf Club	RPP	78,545.06
	Mountain View Golf Club	TAP	400.00
	Polarettes Gymnastics Club	RPP	15,650.00
	Polarettes Gymnastics Club	TAP	4,000.00
	Porter Creek Secondary School	TAP	5,748.00
	Takhini Heartbeaters Skipping Team	TAP	2,400.00
	Vanier Catholic Secondary School	TAP	7,000.00
	Whitehorse Cross Country Ski Club	RPP	41,750.00
	Whitehorse Curling Club	RPP	23,715.00
	Whitehorse Curling Club	TAP	1,600.00
	Whitehorse Glacier Bears Swim Club	TAP	11,994.00
	Whitehorse Minor Hockey	TAP	17,669.00
	Youth Bowling Council	TAP	1,000.00
	Yukon Bird Club	RPP	1,000.00
			$387,541.45

Continues on following page.

NOTE: TAP = Travel Assistance Program and RPP = Recreational Projects Program

Yukon Lottery Commission Community Programs 2009/2010 Approved Funding

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Yukon	Aikido Yukon	RPP	1,022.00
	Arctic Edge Skating Club	RPP	16,000.00
	Athletics Yukon	RPP	1,897.32
	Athletics Yukon	TAP	1,400.00
	Autism Yukon	RPP	1,595.00
	Basketball Yukon	TAP	5,000.00
	Biathlon Yukon	TAP	1,600.00
	Blue Feather Music Society	RPP	4,000.00
	Bringing Youth Towards Equality (BYTE)	RPP	4,130.00
	Cross Country Yukon	RPP	6,280.00
	Extremely Moving Youth Society	TAP	4,973.40
	Great Northern Ski Society	RPP	200,000.00
	Judo Yukon	RPP	800.00
	Learning Disabilities Association of Yukon	RPP	14,000.00
	Music Yukon	RPP	10,000.00
	Nakai Theatre	RPP	10,000.00
	Northern Lights School of Dance	RPP	7,250.00
	Scouts Canada	TAP	3,356.75
	Softball Yukon	TAP	6,707.90
	Squash Yukon	TAP	2,200.00
	Suzuki Strings Association of Yukon	RPP	3,500.00
	Table Tennis Yukon	TAP	2,665.00
	Volleyball Yukon	TAP	30,400.00
	Yukon Aboriginal Sport Circle	TAP	3,400.00
	Yukon Amateur Hockey Association	TAP	10,800.00
	Yukon Art Society	RPP	1,125.00
	Yukon Art Society — Team YK Snow Sculpture	TAP	800.00
	Yukon Badminton Association	TAP	1,929.12
	Yukon Bluegrass Music Society	RPP	9,000.00
	Yukon Curling Association	TAP	5,200.00
	Yukon Dance Festival Society	TAP	756.00
	Yukon Fish & Game Association	RPP	9,103.00
	Yukon Jr. Association of Mushers	TAP	576.96
	Yukon Orienteering Association	RPP	11,000.00
	Yukon Schutzhund Association	RPP	1,900.00
	Yukon Shooting Federation	TAP	400.00
	Yukon Soccer Association	TAP	41,221.00
	Yukon Sourdough Rendezvous Society	RPP	5,000.00
			$440,988.45

NOTE: TAP = Travel Assistance Program and RPP = Recreational Projects Program

Yukon Lottery Commission Community Programs
2009/2010 Approved Funding

TOTAL CONTRIBUTIONS TO COMMUNITIES/APPLICANTS	**$1,304,219.19**
Recreational Projects Program Sponsorship:	
Kluane Chilkat Bike Relay	10,000.00
Sport Yukon Klondike Trail of '98 Road Relay	15,000.00
Yukon Quest International Dog Sled Race	15,000.00
Total Sponsorship	**$40,000.00**
Total YLC Administered Contributions	**$1,344,219.19**

Yukon Government Allocation	
Cultural Services Branch	
Yukon Arts Advisory Committee (YAAC)	224,696.00
Total Arts Branch	**$224,696.00**
Sport & Recreation Branch	
Yukon Sport & Recreation Advisory Committee (YRAC)	366,608.00
Total Sport & Recreation Branch	**$366,608.00**
Total Funds Released To Yukon Government -YRAC and YAAC	**$591,304.00**
Total Funding Approved/Released	**$1,935,523.19**
Unclaimed Contributions	**$107,249.00**
Total Contributions/Funds Released 2009/2010	**$1,828,274.19**

Revenue Allocated to Yukon Government

Lottery revenues supplement Yukon Government funding for sport, recreation and the arts. Lottery funding is provided to the Yukon Recreational Advisory Committee and the Yukon Arts Advisory Council. In 2009/10 the Yukon Lottery Commission provided the Yukon Recreation Advisory Committee with $372,450 and the Yukon Arts Advisory Council with $224,696.

Lottery Revenue for the Arts

Lottery revenues to the Yukon Government for the arts are provided for under the *Public Lottery Regulations* and the *Arts Act*. Programs are administered by the Department of Tourism and Culture with the Yukon Arts Advisory Council making recommendations on funding applications to the Minister of Tourism and Culture. Lottery revenue is used to support the Arts Operating Fund and the Advanced Artist Award.

Lottery Revenue for Sport and Recreation

Lottery revenues to the Yukon Government for sport and recreation are provided for under the *Public Lottery Regulations* and the *Recreation Act*. Programs are administered by the Department of Community Services, Sport and Recreation Branch. The Yukon Recreation Advisory Committee makes recommendations on funding applications to the Minister of Community Services. Lottery revenues contribute to funding programs for sport governing bodies, recreation groups, high performance athletes and officials, and Sport Yukon.

CHARTERED ACCOUNTANTS

mackay.ca

MacKay LLP

Auditors' Report

To the Members of the Yukon Lottery Commission

We have audited the balance sheet of Yukon Lottery Commission as at March 31, 2010 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the Yukon Lottery Commission as at March 31, 2010, and the result of its operation sand cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Mackay LLP

Whitehorse, Yukon
July 27, 2010

Chartered Accountants

mackay.ca refers to the Canadian firm MacKay LLP

Management Responsibility Statement

The accompanying financial statements are the responsibility of management. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and are considered by management to present fairly the financial position and results of operations.

Management is also responsible for implementing and maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that financial records are properly maintained to provide reliable information for the preparation of financial statements.

Management is responsible for ensuring that it fulfills its responsibilities for financial reporting and internal control. The financial statements have been reviewed and approved by management.

MacKay LLP, an independent firm of Chartered Accountants, has been engaged to examine the financial statements in accordance with Canadian generally accepted auditing standards. Their report, stating the scope of their examination and opinion on the financial statements, follows.

General Manager

Yukon Lottery Commission

Statement of Revenue and Expenditures

For the year ended March 31, 2010	2010	2009
Revenue		
Commissions - Western Canada Lottery Corporation	$ 2,215,684	$2,338,850
Break-open tickets (schedule 1)	79,398	42,311
Interest	20,366	66,368
Terminals	7,865	8,225
	2,323,313	2,455,754
Administration expenses		
Advertising and promotion	8,552	6,811
Amortization	2,012	2,493
Computer supplies and support	2,732	-
Insurance	1,543	1,528
Leased equipment	4,206	3,813
Miscellaneous	1,664	949
Office supplies	12,055	12,050
Postage and freight	7,223	8,054
Professional fees	9,569	9,859
Rent	43,107	45,224
Retail	3,752	3,510
Telephone	5,638	6,356
Travel and training	5,499	1,613
Wages and benefits	402,617	349,143
	510,169	451,403
Commission meeting and program expenses		
Directors' honoraria, travel and meetings	38,083	47,826
Public relations	10,999	8,827
Retailer incentive	15,334	18,100
Sponsorship program	22,568	22,680
	86,984	97,433
Total expenses	**597,153**	548,836
Excess of revenue over expenditures before transfer payments	**1,726,160**	1,906,918
Transfer payments		
Recreational Projects Program	222,907	222,322
Major Projects Program	499,738	285,100
Sponsorship - top up	15,000	48,000
Travel Assistance Program	189,727	201,100
Community Lottery Program	391,848	392,087
Unclaimed funds	(107,249)	(70,008)
Yukon Government - YRAC/YAAC (note 10)	591,304	658,482
Total transfer payments	**1,803,275**	1,737,083
Excess of revenue over expenditures	**$ (77,115)**	$ 169,835

Yukon Lottery Commission

Statement of Changes in Net Assets

For the year ended March 31, 2010

	Unrestricted Net Assets	Invested in Capital Assets	Restricted for Working Capital	Restricted for Contingencies	Restricted for Major Projects
Balance, beginning of year	$ 71,187	$ 8,490	$ 100,000	$ 482,688	$ 545,740
Excess (deficiency) of revenue over expenditures	450,502	(2,220)	-	-	(449,189)
Investment in Capital Assets (note 5)	(8,830)	8,830	-	-	-
Transfers from Restricted	320,000	-	-	-	(150,000)
Transfers to Restricted	(586,231)	-	-	(33,903)	448,785
Balance, end of year	$ 246,628	$ 15,100	$ 100,000	$ 448,785	$ 395,336

				2010	2009
	Restricted for Travel	Restricted for Breakopen	Restricted for Future Application Transfer Payments	Total	Total
Balance, beginning of year	$ 78,645	$ -	$ 308,799	**$1,595,549**	$1,425,714
Excess (deficiency) of revenue over expenditures	(155,814)	79,606	-	**(77,115)**	169,835
Investment in Capital Assets (note 5)	-	-	-	-	-
Transfers from Restricted	-	-	(170,000)	-	-
Transfers to Restricted	171,355	(79,606)	79,600	-	-
Balance, end of year	$ 94,186	$ -	$ 218,399	**$1,518,434**	$1,595,549

Yukon Lottery Commission

Balance Sheet

As at March 31, 2010	**2010**	2009
Assets		
Current		
Cash (note 2)	$ 1,254	$ 1,160
Funds held in trust (note 2, note 3)	2,751,469	2,838,125
Accounts receivable	375,599	444,505
Inventory	9,551	6,022
Prepaid expenses	7,757	13,054
	3,145,630	3,302,866
Capital assets (note 5)	**15,099**	8,489
	$3,160,729	$3,311,355
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 130,970	$ 151,296
Committed transfers payments	1,511,325	1,564,511
	1,642,295	1,715,807
Commitments (note 7)		
Net Assets		
Net assets invested in capital assets	**15,100**	8,490
Net assets restricted for working capital	**100,000**	100,000
Net assets restricted for contingencies	**448,785**	482,688
Net assets restricted for major projects	**395,336**	545,740
Net assets restricted for travel	**94,186**	78,645
Net assets restricted for breakopen	-	-
Net assets restricted for future transfer payments	**218,399**	308,799
Unrestricted	**246,628**	71,187
	1,518,434	1,595,549
	$3,160,729	$3,311,356

Approved by the Commission

Chair

Member

Yukon Lottery Commission

Statement of Cash Flows

For the year ended March 31, 2010	2010	2009
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures	$ (77,115)	$ 169,835
Item not affecting cash		
Amortization	2,220	2,737
Changes in non-cash operating capital		
Accounts receivable	68,906	(60,357)
Prepaid expenses	5,297	(6,545)
Inventory	(3,529)	(1,264)
Accounts payable and accrued liabilities	(20,326)	6,889
Committed transfer payments	(53,186)	151,081
	(77,733)	262,376
Investing activities		
Purchase of capital assets	(8,830)	(664)
Increase (decrease) in cash	**(86,563)**	261,712
Cash, beginning of year	**2,839,286**	2,577,574
Cash, end of year	**$2,752,723**	$ 2,839,286
Represented by:		
Cash	$ 1,254	$ 1,160
Funds held in trust	2,751,469	2,838,125
	$2,752,723	$ 2,839,285

Yukon Lottery Commission

Notes to Financial Statements

March 31, 2010

1. Significant Accounting Policies

The Yukon Lottery Commission ("Commission") was created under the provisions of the Public Lotteries Act of the Yukon and is responsible for the conduct and management of public lotteries in the Yukon, including the distribution and administration of funds received from government sanctioned lotteries. The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Capital assets

Capital assets are recorded at original cost less accumulated amortization. Amortization is calculated by the declining balance method over the estimated useful life of the capital assets at the rates set out in note 5.

(b) Inventory

The inventory of promotional items is valued at the lower of cost and replacement cost.

(c) Transfer Payments

Transfer payments are treated as expenditures at the time the transfer payments are approved by the Commission. All unpaid, but approved transfer payments, are included as committed transfer payments. Approved transfer payments which are not claimed within the required time frame are reversed as unclaimed transfer payments.

(d) Financial instruments

Financial assets and financial liabilities are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-for-trading, held-to-maturity, or loans and receivables. Available-for-sale assets are subsequently measured at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recognized in net income.

Cash and funds held in trust have been classified as available-for-sale. Accounts receivable and accounts payable and committed grants are measured at cost.

(e) Restricted net assets

Restricted net assets are created when designated as restricted by the Commission. The restricted net assets represent segregation of funds by the Commission for certain specified expenditures. Such funds may be supplement by a transfer from general operating funds.

(f) Deferred method

The Commission follows the deferred method of accounting for transfer payments.

(g) Measurement of uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates.

(h) Revenue recognition

Lottery profits are recognized in the period they are earned by Western Canada Lottery Corporation. Investment income is recognized in the period earned.

(i) Future change in accounting policies

In January 2006, the CICA Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The impact of the transition to IFRS on the commission's financial statements has not yet been determined.

(j) Pensions

The employees of the Commission are deemed to be employees of the Yukon Government. Both the Commission and its employees make contributions to the Public Service Superannuation Plan administered by the Government of Canada. The Commission is only liable for current contributions that are expensed in the accounts on a current basis.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and funds held in trust.

3. Funds Held in Trust

All general funds of the Commission are held in trust for the Commission by the Yukon Government.

4. Restricted Net Assets

The Commission has internally restricted net assets of $1,271,806 (2009 - $1,524,362) to provide for contingencies, an even level of funding, travel, future major projects, and future transfer payments. These internally restricted amounts are not available for other purposes without approval of the Commission.

5. Capitals Assets

	Rate	Cost	Accumulated Amortization	**2010** Net book Value	2009 Net book Value
Furniture and equipment	20%	$ 55,505	$ 51,040	$ 4,465	$ 4,353
Break-open machines	20%	29,258	29,062	196	281
Computer hardware	30%	55,087	44,649	10,438	3,855
Computer software	100%	1,644	1,644	-	-
		$ 141,494	$ 126,395	**$ 15,099**	$ 8,489

6. Allocation of Excess of Revenue Over Expenditures

The excess of revenue over expenditures is allocated to net assets according to the source of the revenue or expenditure as shown below.

	Unrestricted	Capital Assets	Major Projects	Travel	Break-open	Restricted for Future Application Transfer Payments
Excess of revenue over expenditures	$ 1,055,457	$ -	$ -	$ -	$ 79,398	$ -
Transfer payments allocated	(614,754)	-	(499,738)	(189,727)	-	-
Amortization	2,012	(2,220)	-	-	208	-
Sponsorships	(15,000)	-	-	-	-	-
Unclaimed funds	22,787	-	50,549	33,913	-	-
	$ 450,502	**$ (2,220)**	**$ (449,189)**	**$ (155,814)**	**$ 79,606**	**$ -**

7. Commitments

The Commission has a lease for office space until August 2010 which requires future minimum lease payments as follows:

2011	$18,563

On July 12, 2010, the Commission entered into a new lease agreement for the lase of office space until August 31, 2013. The required future minimum lease payments are as follows:

2011	$47,535
2012	$79,654
2013	$79,654
2014	$33,189

8. Capital Management

The Commission considers its net assets to represent the Commission's capital. The Commission manages its capital in such a manner that there is sufficient working capital available to ensure the Commission is able to continue its operations without suffering cash short falls, and has sufficient funds to provide transfer payments to eligible recipients and funding to the Yukon Government for sport, recreation and arts.

9. Commitments (continued)

The commission has commitments to sponsorship transfer payments totaling $89,000 to the following organizations:

Kluane Chilkat Bike Relay Association:	$10,000 for 2010/2011 $10,000 for 2011/2012
Klondike Trail of '98 Road Relay:	$15,000 for 2010/2011
Yukon Music Camp Society:	$12,000 for 2010/2011 $12,000 for 2011/2012
Yukon Quest:	$15,000 for 2010/2011 $15,000 for 2011/2012

10. Committed to Yukon Government

Excess of revenue over expenditures before transfer payments	$ 1,726,160	$ 1,906,918
Less: Break-open revenues	(79,398)	(42,311)
	1,646,762	1,864,607
Change in Contingency Reserve (prior year less current year)	33,905	(10,080)
Transfer to Major Projects (20% of revenue excluding breakopens)	(448,783)	(482,689)
Total available for transfer payments	1,231,884	1,371,838
Less: Available for Yukon Lottery Commission (52%)	(640,580)	(713,356)
Available for Yukon Government allocation	**$ 591,304**	$ 658,482
Available for Yukon Recreation Advisory Committee (62%)	$ 366,608	$ 408,259
Available for Yukon Arts Advisory Council (38%)	224,696	250,223
Total allocated to Yukon Government	**$ 591,304**	$ 658,482

11. Financial instruments

Financial assets consist of cash, funds held in trust and accounts receivable. Financial liabilities consist of accounts payable and committed transfer payments.

The Commission is exposed to the following risks in respect of certain financial instruments held;

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Commission is exposed to credit risk through its accounts receivable from Western Canada Lottery Corporation in respect of commissions.

(b) Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty meeting obligations associated with its financial liabilities. The Commission's accounts payable and committed transfer payments are all due within one year.

(c) Interest rate risk

The Commission is exposed to the interest rate risk on its fund held in trust. A Change in the effective interest rate of 1/2% on its funds held in trust would result in an approximate impact on income of $1,400 in 2010.

Yukon Lottery Commission

Schedule 1 - Break-open Tickets

For the year ended March 31, 2010	2010	2009
Revenue		
Commission - Break-open tickets	**$ 143,762**	$ 102,530
Expenditures		
Advertising and promotion	922	697
Amortization	208	243
Computer	295	-
Directors' honoraria, travel and meetings	4,105	4,892
Insurance	166	156
Leased equipment	453	390
Miscellaneous	179	97
Office supplies	1,299	1,233
Postage and freight	779	824
Professional fees	1,031	1,009
Public relations	1,186	904
Rent	4,646	4,626
Retail	-	4,087
Retailer incentive	2,064	2,211
Sponsorship	2,433	2,320
Telephone	608	650
Training	24	32
Travel	569	133
Wages and benefits	43,397	35,715
	64,364	60,219
Excess of revenue over expenditures	**$ 79,398**	$ 42,311